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29 June 1952

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Copy No. 53

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CURRENT INTELLIGENCE BULLETIN

41
DOCUMENT NO.

NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: T9 2 C

NEXT REVIEW DATE: 2009

AUTH: HR 70-2

DATE: 17 Dec 39 REVIEWER: [REDACTED]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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State Department review completed

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Approved For Release 2004/01/16 : CIA-RDP79T00975A000700410001-8

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NEAR EAST - AFRICA

3. British and American representatives agree to Middle East Defense Organization plan:

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[Redacted]

British and American representatives have agreed to a plan for the early establishment of a Middle East Defense Organization with headquarters on Cyprus. Pending approval by both governments, the proposals will be submitted to the other sponsoring powers -- France, Turkey, Australia, New Zealand, and South Africa. A planning group of representatives from all participants is to operate under a British head.

Egypt will be invited to become a founding member. The ultimate cooperation of the other Arab states is also considered essential. Since those states would probably reject any invitation at this time, the organization will first be established to demonstrate the West's firm intention of defending the area, with the hope of attracting Arab cooperation.

Comment: The Anglo-Egyptian controversy continues to be the chief obstacle to Arab cooperation in a Middle East Defense Organization. In view of the anti-British sentiment in some Arab areas, as well as in Turkey, the proposed British chairmanship of the planning group may also prove to be a stumbling block.

4. Argentina may sign oil agreement with Iran:

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[Redacted] the Argentine Govern-

[Redacted] ment is negotiating with Prime Minister Mossadeq for substantial quantities of oil.

Reportedly no agreement on price has yet been reached.

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[Redacted] informed that influential elements in the Argentine Government are anxious to purchase Iranian oil, and that when the Argentine Minister returns to Tehran next week, there will probably be further developments.

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[Redacted]

Such an agreement would be a reversal of Argentine policy, which has sought to avoid prejudicing oil imports from other British-controlled sources or diverting Argentine tankers from more efficient runs within the Western hemisphere.

5. Egyptian palace group seeks to replace Prime Minister Hilali:

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[Redacted]

American Ambassador Caffery in Cairo reports an effort among the palace group to replace Prime Minister Hilali with Maraghi Pasha, who is both Minister of the Interior and of War and Marine. The Ambassador believes that this plot may also have some support from the Wafd, and that the palace group seeks to postpone the autumn elections by having Maraghi become Prime Minister.

Comment: Maraghi, a political independent, has frequently been mentioned as a possible successor to Hilali. As Minister of the Interior, Maraghi was responsible for the effective reorganization of the police force following the January riots. In his capacity of Minister of War and Marine, he is reportedly reorganizing the top command of the Egyptian Armed Forces.

EASTERN EUROPE

6. Possible speedup in Hungarian frontier deportations reported:

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[Redacted]

The American Legation in Budapest believes that deportations from Hungarian frontier areas may have been speeded up during the past four weeks. The current expulsions are chiefly from the western and southern border areas. All property left behind has been confiscated.

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Comment: Hungarian authorities appear to be extending large-scale deportations into the sensitive border areas. Last summer's target was chiefly Budapest. Although there were reports of expulsions from the Yugoslav border area in 1950, the present deportations apparently apply to the Austrian frontier as well.

WESTERN EUROPE

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7. Soviet troop movements reported in East German coastal area:

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[redacted] Soviet
troops were observed debarking from ships
in the Rostock harbor every night for a
week during early June. [redacted]

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[redacted] The debarkations reportedly had begun 10 to 12 days earlier.

Comment: This is one of a series of unconfirmed reports of Soviet troop movements into the Rostock and the Ruegen Island areas. Soviet interest in the Baltic area has been shown by increases in naval personnel in Germany and Poland, the reported recent amphibious and coastal defense exercises along the East German coast and the increased Soviet air capabilities in the area.

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